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The President's Daily Brief

January 25, 1974

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THE PRESIDENT'S DAILY BRIEF

January 25, 1974

PRINCIPAL DEVELOPMENTS

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The communiqué marking the end of Egyptian Foreign Minister Fahmi's visit to the Soviet Union called the disengagement agreement a positive step, but indicated that fundamental questions still remain to be settled at Geneva. (Page 3)

Communist gunners shelled Phnom Penh yesterday, causing numerous civilian casualties and minor damage. (Page 4)

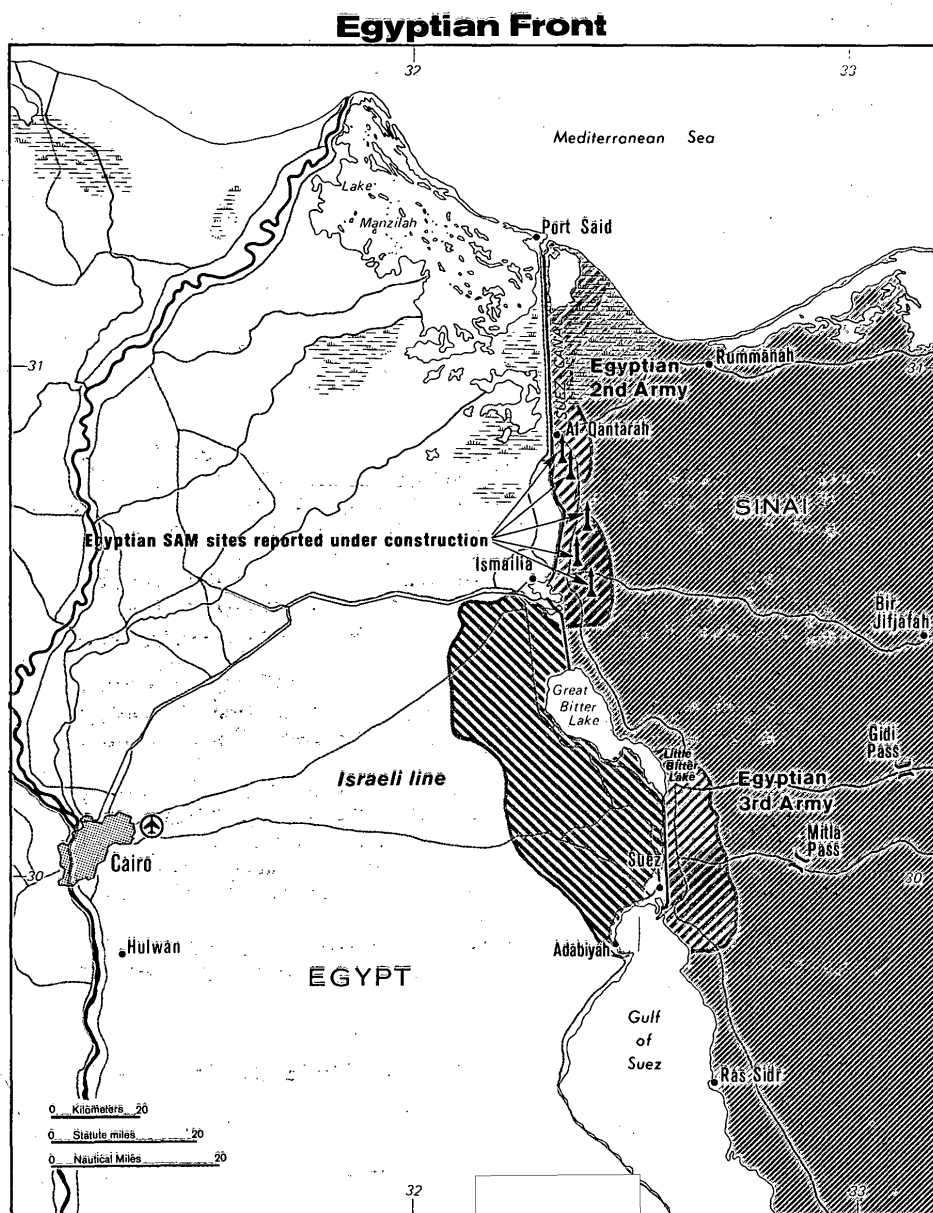
The dollar weakened slightly in major European centers yesterday but still remains above last week's levels against most European currencies. (Page 5)

Notes on the USSR [redacted] a Soviet warning to US firms on business ventures in Romania, Chinese [redacted] Page 6.

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EGYPT-ISRAEL

Implementation of the Egyptian-Israeli disengagement agreement will formally begin today.

The Israelis have been moving military equipment off the west bank of the Suez Canal for several days, but final agreement on the details and the timing of implementation was reached only yesterday. The Egyptian and Israeli chiefs of staff met at Kilometer 101 to complete the detailed implementation agreement, which was worked out by military negotiating teams in a week-long series of meetings. Evacuation will begin from the southernmost portion of the west bank salient, according to Israeli sources, and disengagement is to be completed within 40 days.

The Egyptian military leadership is now disturbed that disclosure of the full scope of disengagement will bring an adverse reaction from military commanders who have thus far been briefed on the agreement only in general terms. The US Interests Section in Cairo notes that civilian officials may also be expecting too much from the agreement, but there is no indication that President Sadat will have unmanageable domestic problems on his hands as a result.

Israeli military officials, in the meantime, recently expressed concern about Egypt's good faith in carrying out its end of the bargain. [REDACTED]

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Egyptians have been building five new surface-to-air missile sites on the east bank of the canal in the Second Army area. Under the terms of the disengagement agreement, no missiles or permanent, fixed installations for missile sites will be permitted in this area when disengagement has taken effect.

The Israeli military has been concerned that the construction of the missile sites, which they claim has continued since the disengagement agreement was signed on January 18, may foreshadow a repetition of the 1970 situation, when the Egyptians violated the August cease-fire agreement by moving missile sites to forward positions near the Suez Canal.

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EGYPT-USSR

The communiqué marking the end of Egyptian Foreign Minister Fahmi's visit to the Soviet Union called the disengagement agreement a positive step, but indicated that fundamental questions still remain to be settled at Geneva. Moscow's preoccupation with getting the talks back to the Geneva forum was also evident in an earlier statement on Fahmi's talks with Brezhnev and Podgorny.

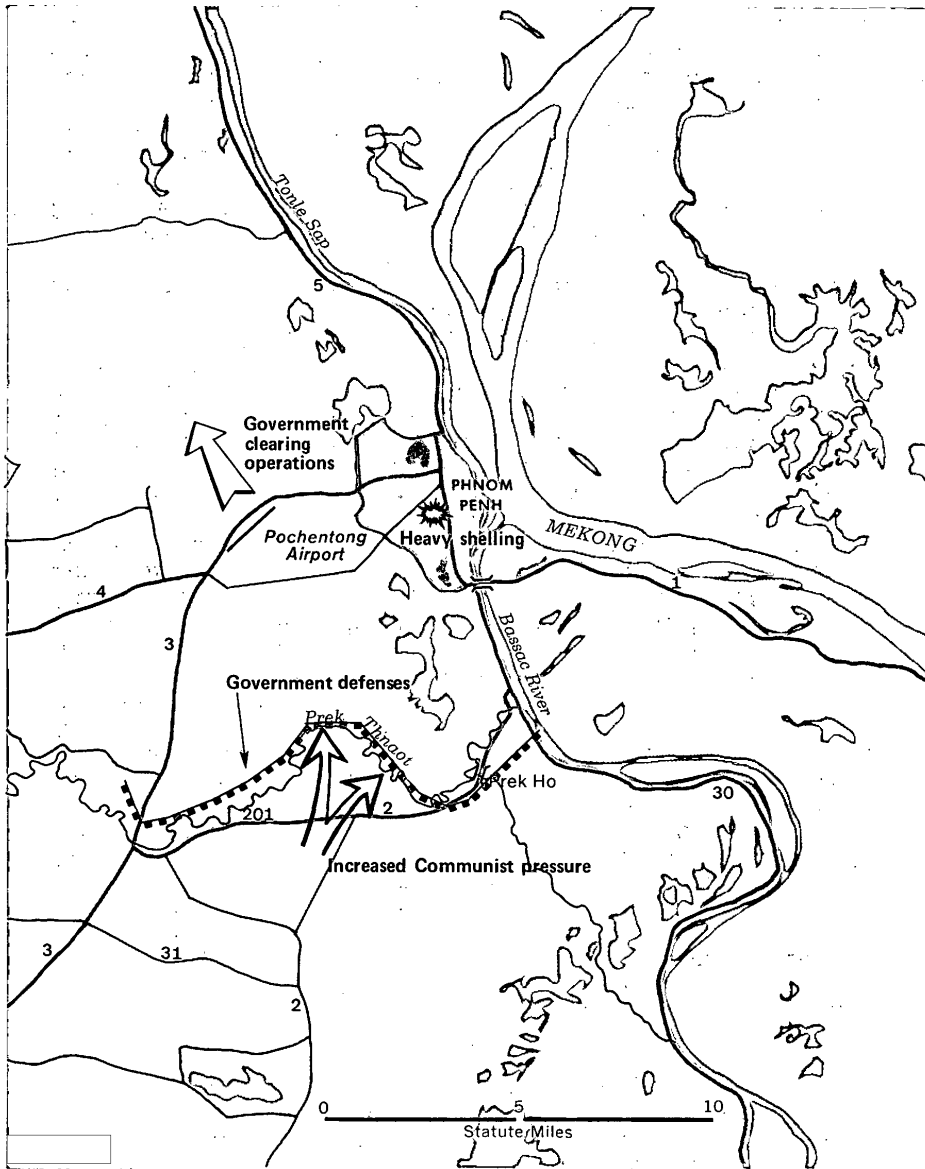
The communiqué pointedly refers to the necessity for closer coordination between Cairo and Moscow, indicating that the Egyptians felt constrained to make some gesture to meet Soviet objections to their exclusion from the disengagement talks. There is a specific reference to coordination at all levels in Geneva. This probably means that the Soviets intend to play a more obtrusive role in Geneva than heretofore. The Egyptians, who rejected Soviet participation in the deliberations of the military committee at Geneva, apparently gave some ground, at least to the extent of agreeing to keep the Soviets abreast of developments in any future bilateral talks. It is doubtful, however, that Fahmi committed Egypt to giving the Soviets a role that would allow interference with the smooth progress of negotiations. In fact, the communiqué tries to calm possible US apprehension by stating that closer Egyptian-Soviet coordination will not "inflict damage on anyone."

The statement gives some prominence to the Palestine question by stating that Palestinian representatives should be accorded equal participation in Geneva in the "nearest future." The Soviets have been taking the line with the fractious fedayeen that the Palestinians eventually would be represented at Geneva. President Sadat has been telling Arab leaders in recent days that the Palestine question would now be moved near the top of the Geneva agenda.

The communiqué makes no reference to future Soviet military aid to Egypt, despite the fact that Fahmi made a strong pitch to Gromyko for such assistance. Fahmi indicated Cairo is concerned over what it regards as Soviet foot-dragging on re-equipping its forces. Moscow, which has been upset over its seeming lack of leverage in Cairo and at Egyptian proclivity to deal with the US at its expense, may be doing little to reassure the Egyptians on this point.

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Phnom Penh



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CAMBODIA

Military action is centered in the Phnom Penh region. Communist gunners yesterday used captured 105-mm. howitzers to shell the capital, causing numerous civilian casualties and minor damage.

Such attacks are expected to continue. An intercepted message of January 23 called for Communist gunners to fire 50 to 100 rounds into the city "in the next two or three days" and for lighter shellings "on the following days."

Northwest of the capital, Cambodian Army units have seized the initiative from the Khmer Communists and are now mopping up north of the city's airport.

With the easing of the threat in the northwest, the government is moving some units from that sector to strengthen defenses south of Phnom Penh. Government combat strength in the south will soon be over 8,000 troops--almost double the estimated Communist strength.

Activity on the southern front has been limited to relatively small-scale engagements along the Prek Thnaot River battle line. Although the Communists have had difficulty deciding where to direct their major effort, they have still been able to push government forces north of the river in several areas.

INTERNATIONAL MONETARY DEVELOPMENTS

The dollar weakened somewhat in major European centers yesterday but still remains above last week's levels against most European currencies, especially the French franc and lira. Sterling, aided by an easing of Eurodollar rates, closed at its highest level relative to the dollar since January 14. The price of gold reached \$141 an ounce on the London market.

The French franc's improvement against the dollar was aided by central bank dollar sales of \$40 million. The Bank of France has sold approximately \$330 million since its decision to float the franc last weekend. At the same time, the franc has been depreciating relative to most other European currencies.

The remnants of the European joint float came under some pressure yesterday as the Norwegian crown reached the top of the band and the Danish crown, Belgian franc, and Dutch guilder sank to the bottom.

In Tokyo the dollar opened fractionally lower today, with no apparent intervention by the central bank. The Bank of Japan sold about \$70 million yesterday to maintain the exchange rate at 300 yen to the dollar.

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NOTES

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USSR: [REDACTED]

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USSR: Soviet officials have warned US firms seeking to expand trade with Bloc countries that business ventures in Romania could jeopardize the firms' trade relations with the USSR. Moscow apparently does not want Romania to appear to be benefiting economically from an independent foreign policy because of the possible impact on other East European states.

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China - South Vietnam: [REDACTED]

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